

**LIFE ONLY PRODUCER
INDIANA EXAMINATION CONTENT OUTLINE
80 QUESTIONS TOTAL
TIME LIMIT 1 hour 20 minutes
REVISED 9/21/2006**

VII. INSURANCE BASICS

(10 QUESTIONS TOTAL)

A. The Very Basics

(1 QUESTION)

1. What is insurance
2. Understanding Risk
3. The Law of Large Numbers
4. Types of insurance companies
 - Lloyd's of London
 - Stock companies
 - Mutual companies
 - Fraternal
5. Reinsurance

B. Contract Law

(6 QUESTIONS)

25. What is a contract
26. The five essential parts of a contract
 - Offer
 - Acceptance
 - Consideration
 - Legal capacity
 - Legal purpose
27. Insurance Specifics
 - Who makes the offer
 - Who accepts the offer
 - What is each party's consideration
28. Defining truth
 - Warranties
 - Representations
 - Misrepresentations
 - Concealment
 - Material to the risk
 - Consequences of material misrepresentation on the application
29. Insurable Interest
30. Consent
31. When does coverage start
 - If no Interim Insuring Agreement is used
 - If an Interim Insuring Agreement is used
 - Conditional Receipts
 - Collecting the initial premium

- Explaining the Conditional Receipt

32. Policy delivery

- Agent's responsibilities
- Statement of Continued Good Health

33. Unique characteristics of insurance contracts

- Conditional
- Valued, Reimbursement & Service contracts
- Unilateral
- Adhesion
- Aleatory

34. Other contract terms

- Waiver
- Fraud

35. Insurance law & the Agent/Producer

- The Agent/Producer
- The Agency Agreement/ Contract
- The Agent's extending the insurance company's liability
- Agent's knowledge
- Agent vs. Broker

36. Powers of Agency

- Expressed authority
- Implied authority
- Apparent authority

C. Underwriting Basics

(3 QUESTIONS)

1. What is underwriting
2. Why is underwriting necessary
3. Relationship between risk and premiums charged
4. Sources of insurability information
 - Application
 - Making changes on the application
 - Consequence of an incomplete application (blanks)
 - Required signatures on the application
 - Agent/Producer's reports
 - Medical information & medical exams
 - The Medical Information Bureau (MIB) and disclosures
 - Attending Physician's reports
 - Credit reports
 - Fair Credit Reporting Act & mandatory disclosures
 - Inspection reports
5. Selection & Classification Factors
 - Age
 - Gender (sex)
 - Tobacco usage
 - Occupation
 - Avocation, etc.

6. AIDS, HIV & Underwriting
7. Classification of Risks & Effects on premiums charged
 - Preferred
 - Standard
 - Substandard
 - Declined
8. Gross Premium factors
 - Risk (Mortality and Morbidity)
 - Interest
 - Expense
9. Net Premium
10. Premium Modes
 - Effect on Premiums

VIII. TYPES OF LIFE INSURANCE POLICIES

(16 QUESTIONS TOTAL)

A. Term Life Insurance

(2-3 QUESTIONS)

1. Level Term
2. Decreasing Term
3. Increasing Term
4. Renewable Term
5. Convertible Term
6. Level Premium Term
7. Maturity
8. Taxation

B. Whole Life Insurance

(3-4 QUESTIONS)

1. Permanent Protection
2. Cash value
 - Guaranteed growth of Cash Value
 - Taxation
 - Policy loans and interest charged
3. Level premium payments
4. Methods of Premium Payment
 - Single Premium
 - Limited-Pay
 - Continuous Premium/Straight Life
5. Maturity
6. Taxation

C. Adjustable Life Insurance

(0-1 QUESTION)

1. Factors that can be adjusted
 - Amount of death protection
 - Amount of premium
 - Type of plan (Term versus Whole Life)
2. Advantages and Disadvantages

- D. Variable Whole Life Insurance** (0-1 QUESTION)
1. A securities version of Whole Life insurance
 2. The Separate Investment Account (as opposed to the General Account)
 3. Additional licensing is required to sell securities products
 - National Association of Securities Dealers (NASD)
- E. Universal Life Insurance** (3-4 QUESTIONS)
1. Permanent Protection
 2. Policy design and structure
 3. Annual management fees
 4. Death benefit options
 5. Flexible premium options
 6. Cash accumulation options
 - Cash values growth on an interest sensitive basis
 - Tax deferred growth
 - Partial surrenders
 - Tax consequences of partial surrenders
 - Policy loans
 7. Waiver of Premium vs. Waiver of Cost of Insurance
 8. Taxation
- F. Variable Universal Life Insurance** (0-1 QUESTION)
3. A securities version of Universal Life insurance
 4. Special securities licensing requirements (NASD)
- G. Interest Sensitive Whole Life Insurance** (0-1 QUESTION)
- H. Equity Indexed Life Insurance** (1 QUESTION)
- I. Joint Life Insurance** (0-1 QUESTION)
1. Number of Insureds
 2. First to die
- J. Survivorship Life Insurance** (0-1 QUESTION)
1. Number of Insureds
 2. Last to die
- K. Family (Protection) Policy** (0-1 QUESTION)
1. Policy structure
 2. Who are the insureds
 3. Newborns and adopted children
 4. Premium factors
- L. Other Life Insurance Policy Types** (0-1 QUESTION)
1. Modified Life
 2. Graded Premium Whole Life
 3. Re-Entry Term
 4. Juvenile Life
 5. Credit Life

M. Modified Endowment Contracts (MEC)**(1 QUESTION)**

1. IRS Definition/ Seven-Pay test
2. Taxation
3. 10% Penalty for early withdrawal
4. Age 59 ½ Rule

IX. ANNUITY CONTRACTS**(7 QUESTIONS TOTAL)****G. Concept of an Annuity****H. The Accumulation (pay-in) Period vs. the Annuity (pay-out/liquidation) Period****I. The Pay-In Period**

8. Who controls policy?
9. Premium payment options
10. Cash value grows tax deferred
11. Penalty for contract surrender prior to age 59 ½
 - Exceptions
12. May be surrender charges for early withdrawals
13. Tax consequences of policy surrender
14. Consequences of policyowner death during the pay-in period
 - Taxation

J. The Pay-Out Period

1. Age 59 ½ Rule
2. Choices
 - Take the Money
 - Annuity Certain
 - Life Annuity
3. Annuity Certain
 - Fixed Period
 - Fixed Amount
4. Life Annuity
 - Who controls policy?
 - Policyowner becomes the Annuitant
 - Annuitant(s) will receive a life income
 - Annuitant can name a beneficiary should there be any installment payments made after the death of the Annuitant.
 - Exclusion Ratio
 - Pay out choices include:
 - Straight Life (or Life Only) Annuity
 - Life Annuity with Period Certain
 - Refund Life Annuity
 - Joint and Survivor Life Annuity

K. Types of Annuities

4. Fixed Dollar (Conventional) Annuity-General Account
5. Variable Annuity-Separate Account-NASD license required
6. Equity Indexed Annuity

L. Other Annuity Terms

3. Immediate vs. Deferred Annuity
4. Single Premium vs. Level Premium vs. Flexible Premium payment plans

X. LIFE INSURANCE POLICY PROVISIONS (8 QUESTIONS TOTAL)

A. Required Provisions (5-6 QUESTIONS)

1. Entire Contract/ Changes Clause
2. Insuring Clause
3. Premium Payment Clause
4. Incontestable Clause
5. Misstatement of Age and Sex Clause
6. Grace Period Clause
7. Reinstatement Clause
8. Ownership Clause
9. Assignment Clause
10. Loan Values and Automatic Premium Loan (APL) Provision
11. Time Limit on Lawsuits
12. Methods of Settlement
13. The Practice of Back-Dating
14. Application of State Law
15. Free Look Provision

B. Discretionary Provisions (Exclusions) (0-1 QUESTION)

1. Suicide Clause
2. Hazardous Occupation (or Hobby/Avocation) Clause

C. Beneficiary Designations (2 QUESTIONS)

1. Policyowner can name and change beneficiary designations
2. Primary and Contingent beneficiaries
3. Revocable and Irrevocable designations
4. The Estate as beneficiary
5. A Trust as beneficiary
6. Minors (children) as beneficiaries
7. Uniform Simultaneous Death Act
 - Common Disaster Provision
8. Naming Beneficiaries
 - Per capita
 - Per stirpes
9. Spendthrift Clause

XI. LIFE INSURANCE POLICY OPTIONS

(7 QUESTIONS TOTAL)

A. Dividend Options

(1-2 QUESTIONS)

1. What are Policy Dividends
2. Taxation
3. Options:
 - Cash
 - Reduction of Premium
 - Accumulate at Interest
 - Paid-Up Additions
 - One Year Term
 - Paid-Up Life

B. Nonforfeiture Options

(2 QUESTIONS)

1. Purpose
2. Options:
 - Cash
 - Reduced Paid-Up insurance
 - Extended Term insurance
3. Reinstatement

C. Settlement Options

(1-2 QUESTIONS)

1. Maturity
2. Options:
 - Cash
 - Interest
 - Fixed Period (Annuity Certain)
 - Fixed Amount (Annuity Certain)
 - Life Income (Life Annuity)
 - Straight Life (or Life Only) Annuity
 - Life Annuity with Period Certain
 - Refund Life Annuity
 - Joint and Survivor Life Annuity

D. Living Benefit Options

(1-2 QUESTIONS)

1. Accelerated Death Benefits
2. Viatical Settlements

VI. LIFE INSURANCE POLICY RIDERS

(4 QUESTIONS TOTAL)

- A. Multiple Indemnity/Accidental Death rider
- B. Guaranteed Insurability rider
- C. Cost of Living rider

- D. Waiver of Premium rider
- E. Payor Benefit rider
- F. Accelerated Death Benefit rider
- G. Automatic Premium Loan rider

VII. BUSINESS USES OF LIFE INSURANCE (1 QUESTION TOTAL)

- A. Key Employee Life policies
- B. Buy and Sell Agreements
- C. Split Dollar plans

VIII. QUALIFIED RETIREMENT PLANS (3 QUESTIONS TOTAL)

- A. Qualified versus Nonqualified plans
- B. Characteristics of qualified plans
- C. Tax treatment of qualified plans and age limitations (59 ½ & 70 ½)
- D. Penalty for premature withdrawals
 - 1. Exceptions
- E. Defined Contribution plans versus Defined Benefit plans
- F. Common types of Qualified Retirement plans
 - 1. 401 K plans
 - 2. 403 B Tax Sheltered Annuities (TSAs) for 501 C corporations
 - 3. Individual Retirement Accounts (IRAs)
 - 4. Roth IRAs
 - 5. Keogh (HR-10) plans
 - 6. Simplified Employee Pension (SEPs) plans
- G. Plan Roll-Overs

IX. GROUP LIFE INSURANCE

(3 QUESTIONS TOTAL)

G. Group Insurance Concepts

H. Eligible Groups

1. Single Employers
2. Labor Unions
3. Associations
4. Credit Unions
5. Creditors (Credit Life Insurance)
6. Multiple Employer Trusts (METs)
7. Multiple Employer Welfare Arrangements (MEWAs)

I. The Group Contract

1. Master Contract
2. Individual Certificates of Insurance

J. Group Underwriting

1. Experience rating vs. Community rating
2. Reduced Adverse Selection
3. Group Risk Selection
4. Purpose of the Group
5. Eligible Members
6. No discrimination
7. Contributory vs. Non-Contributory
8. Turnover

K. Reduced Administrative Costs

L. Life Conversion Privileges

X. GOVERNMENT INSURANCE - SOCIAL SECURITY (1 QUESTION TOTAL)

A. Social Security Retire Income Benefit

1. Who is Eligible for income benefits
2. Currently Insured vs. Fully Insured status
3. Benefits based on Primary Insurance Amount (PIA)
4. Blackout Period

**XI. STATE OF INDIANA
GENERAL INSURANCE REGULATIONS**

(12 QUESTIONS TOTAL)

E. Department of Insurance

(3 QUESTIONS)

1. Insurance Commissioner
 - Appointment by Governor
 - Member of NAIC
 - Powers
 - Duties
2. Admission of Insurance Companies
 - Certificate of Authority
 - Admitted versus Non-Admitted companies
 - Domestic, Foreign & Alien companies
3. Examination of Admitted Insurance Companies
 - Frequency of fiscal examinations
 - Waiving examinations of Foreign & Alien companies
6. Insurance Guaranty Associations
 - Purpose
 - Policy benefits that are guaranteed

B. Licensing Laws

(5 QUESTIONS)

13. Types of Insurance Licenses, Eligibility Requirements & Powers and Duties
 - Resident Producer
 - Nonresident Producer
 - Temporary Producer
 - Consultant
 - Limited Lines
 - Flight
 - Baggage
 - Title
 - Credit
 - Funeral Directors
14. Who must be licensed
 - Solicit, negotiate or sell contracts of insurance
15. Producer qualifications and the licensing process
16. Insurance Company: Producer appointments and termination

17. Duties of a Producer

- License application process, examination, and fees for obtaining a license
- Controlled Business
- Acting as a Consultant
- Fees and commissions

18. Producer's License Maintenance

- Producer notification requirements for change of business **or** residential address
- License renewal process
- Continuing Education requirements
- *Sircon* license & C/E tracking system
 - Producer Responsibilities

C. Producer/Company Compliance

(3 QUESTIONS)

7. Producer Licensing Law & Violations

8. Unfair Competition Law & Violations

9. Definitions

- Twisting
- Rebating
- Sharing commissions with an unlicensed person
- Unfair discrimination

4. Complaint process

- Time frame for hearings

5. Penalties/Disciplinary Actions

- Penalty for violating Licensing law
- Penalty for violating Unfair Competition Law
- Penalty for violating Cease and Desist Orders
- Criminal violations

D. Claims

(1 QUESTION)

5. When must claims be paid

6. Unfair Claim Settlement Practices

XII. LIFE REGULATIONS

(8 TOTAL QUESTIONS)

A. Policies and Contracts

(4 QUESTIONS)

10. Policy Provisions
11. Underwriting Restrictions
12. Right to Examine (10 Day Free Look)
13. Payment of Claims
14. Interest on Loans
15. Interest on Death Benefits
16. AIDS & HIV
17. Accelerated Death Benefits
18. Viatical Settlements

F. Marketing Practices

(3 QUESTIONS)

3. Advertising
4. Solicitation
 - Purpose
 - Documentation
 - Buyer's Guide and Policy Summary
 - Duties of Producers
3. Replacement
 - Definition of Replacement
 - Purpose
 - Free Look
 - Duties of Producers
 - Duties of Companies

G. Group Life

(1 QUESTION)

1. Eligible Groups
2. Conversion Rights to Individual Policy

END